

## Message Text

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44

ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-04 H-01  
INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15  
USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02  
OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 /095 W  
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R 110826Z DEC 76

FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC 2500

INFO AMEMBASSY AMMAN

AMEMBASSY ATHENS

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY NICOSIA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TEHRAN

AMEMBASSY TEL AVIV

C O N F I D E N T I A L BEIRUT 8813

E.O. 11652: GDS

TAGS: EFIN, PFOR, PINT, LE

SUBJECT: BANK OF AMERICA OPTIMISTIC PERSPECTIVE ON LEBANON

1. CHRIS HOLLANDER, VICE-PRES AND ATHENS BRANCH MANAGER OF BANK OF AMERICA, SPOKE TO EMBOFF DEC 10 ABOUT BANK OF AMERICA'S RETURN TO LEBANON. HE WILL RETURN TO ATHENS DEC 12 TO REPORT TO HIS BANK. HOLLANDER SAID HE HAD BEEN IN TOUCH WITH DR. SALIM A. HUSS (WHO HAS NOW BECOME PRIME MINISTER), RANKING OFFICIALS OF CENTRAL BANK, AND MEMBERS OF BEIRUT BANKING COMMUNITY, INCLUDING JOSEPH GEAGEA, PRESIDENT OF BANKING ASSOCIATION.

2. FINANCING RECONSTRUCTION. HOLLANDER DESCRIBED HIS UNDERSTANDING OF SYSTEM WHEREBY GOL PLANS TO REACTIVATE PRIVATE ECONOMIC SECTOR: THE GOVERNMENT WILL NOT DEAL  
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DIRECTLY WITH PRIVATE ENTERPRISE, BUT RATHER WILL WORK

ENTIRELY THROUGH COMMERCIAL BANKING SYSTEM. GOVERNMENT WILL LEND, THROUGH THE BANKS, AS MUCH AS NINETY PERCENT OF FUNDS NEEDED TO INDIVIDUAL ENTERPRISES, BUT WILL REQUIRE COMMERCIAL BANKS TO SHARE LIMITED RISK BY PUTTING UP OTHER TEN PERCENT OF EACH LOAN. THE COMMERCIAL BANKS WILL BE EXPECTED TO PREPARE DOSSIERS ON FINANCIAL NEEDS OF EACH ENTERPRISE AND RECOMMEND TO A SPECIAL GOVERNMENT LENDING BODY YET TO BE CREATED THE APPROPRIATE LOW-INTEREST LOANS. EACH ENTERPRISE WILL BE ALLOWED TO OBTAIN SUCH LOANS THROUGH MEDIATION OF JUST ONE BANK, AND LOANS WILL BE CONDITIONAL ON SETTLEMENT OF ALL PREVIOUS INDEBTEDNESS. HOLLANDER FEELS THAT THIS IS AN EMINENTLY PRACTICAL APPROACH, AND HE IS PERSONALLY CONFIDENT THAT 99 PERCENT OF BANKING INTERESTS IN LEBANON WILL JOIN THE SCHEME.

3. GOVERNMENT FINANCIAL RESOURCES. HOLLANDER SAID THAT HE "KNEW" FROM BANKING SOURCES OUTSIDE OF LEBANON THAT LEBANON STILL HAD AT LEAST ONE BILLION DOLLARS IN GOLD AND FOREIGN RESERVES ABROAD. AT SAME TIME, HE DID NOT DISAGREE WITH A SUGGESTION THAT ACTUAL FIGURE MAY BE TWO OR THREE TIMES THIS AMOUNT. HE SAID, ON A STRICTLY CONFIDENTIAL BASIS, THAT BANK OF AMERICA HAS BEEN ASKED TO LEND A CONSORTIUM OF INTERNATIONAL BANKS TO RAISE ONE BILLION DOLLARS FOR THE LEBANESE CENTRAL BANK, WHICH WOULD NOT SPEND IT DIRECTLY BUT RATHER WOULD USE IT TO MAINTAIN HIGH PERCENTAGE OF HARD BACKING WHICH LEBANESE CURRENCY HAS TRADITIONALLY ENJOYED (ABOUT 85 PERCENT), AS LEBANON'S INTERNAL MONEY SUPPLY EXPANDS.

4. BANK OF AMERICA COMMERCIAL OPERATIONS IN LEBANON. HOLLANDER SAID THAT HE HAD OBTAINED TACIT APPROVAL FROM GOL ("ON PREND NOTE") TO ESTABLISH A SECOND BRANCH AT DORA, IN CHRISTIAN LEBANON, IN ADDITION TO BANK OF AMERICAN OFFICE IN WEST BEIRUT, ALTHOUGH BANKING LAW, STRICTLY SPEAKING, DOES NOT PERMIT FOREIGN BANKS TO OPERATE MORE THAN ONE OFFICE IN LEBANON. HE SAID HE HAD LEARNED THAT, WHEN FIRST NATIONAL BANK OF CHICAGO REOPENED ITS OFFICE IN HAMRA DISTRICT OF WEST BEIRUT ON DEC 6, BANK MANAGEMENT WAS EXPECTING A RUN ON CUSTOMER DEPOSITS, BUT

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PRECISELY THE REVERSE ENSUED; BY END OF DAY CHICAGO BANK HAD MORE DEPOSITS THAN AT OPENING.  
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